



TO: Rick Howard, Town of Discovery Bay Community Services District

FROM: Tom Gaffney and Alison Lechowicz, Bartle Wells Associates

DATE: October 22, 2013

SUBJECT: Community Center Cash Flow Analysis

DRAFT MEMORANDUM

Provided below is a cash flow analysis of the Town of Discovery Bay Community Services District's (District) Community Center. The Community Center is currently operated on a limited basis and the District is evaluating options for expanding operations to better serve the residents.

The following sections describe the revenues, expenses, and financial planning assumptions used in the analysis. This memorandum includes only operating revenues and expenses. BWA understands that the Community Center may have capital outlays in the future and is expecting some grants and capital reimbursements. BWA did not include these capital expenses and revenues in the cash flow projection.

Revenues

The major funding source for the Community Center is the Landscape and Lighting Zone #8 tax assessments which collect about \$460,000 annually. Budgeted for FY2014/15, the Community Center will increase occupancy and programming resulting in increased revenues and less reliance on the tax assessments as a source of funding. New and expanded revenue sources include food sales, facility rental fees, and programming. The District expects increased occupancy with Water and Wastewater staff offices and District Board meetings being hosted at the Community Center in the foreseeable future.

Programming

In calendar year 2014, the District anticipates offering a number of classes, sports, and fitness programs including Zumba, ballroom dancing, yoga, art classes, soccer, tennis, and continued public access to the swimming pool.

The FY2013/14 budget assumed a 5-month operating period spanning from January 1, 2014 to June 30, 2014 (winter/spring period). The District estimates program revenues ranging from \$8,400 to \$19,500 for this period based on low and high participation, respectively.

For FY2014/15 and beyond, the District will offer programming on an annual basis consisting of three 4-month periods (fall, spring, and summer). BWA scaled the District's 5-month programming estimate to a 4-month period. BWA estimates that each period will generate between \$6,400 and \$14,600 in revenues. Assuming moderate (average) participation for each of the three annual periods, the District is estimated to collect \$31,400 in FY2014/15. Beyond FY2014/15, BWA estimates programming revenues to increase by 5% per year as the District promotes and advertises the Community Center.

Rentals and Goods Sold

The District estimates revenues of \$4,200 in FY2014/15 from facilities and grounds rentals and goods sold (concessions). BWA estimates that these revenues will increase in the coming years as the Community Center expands operating capacity and increases advertising.

Reimbursements

One other potential revenue source for the Community Center is reimbursements for office space for Water and Wastewater staff and for the hosting of Board of Directors' meetings. BWA estimates a reimbursement of \$50 per meeting and 24 meetings per year. BWA estimates the Water and Wastewater office space reimbursement at \$250 per month based on about 165 square feet of office space rented at a cost of \$1.50 per square foot. The Community Center is also anticipated to collect a utilities reimbursement of \$100 per month. In total, BWA estimates reimbursement revenues of \$5,400 annually.

Expenses

For FY2014/15, the District estimates operating expenses of \$254,200 for the Community Center reflecting a full year of expenses. Staff salaries and benefit costs are \$142,000 or about 56% of the Community Center budget. Other expenses include repairs, maintenance, facilities upkeep, utilities, and other costs.

Staffing

The FY2014/15 staffing cost of \$142,000 (full time staff, part time staff, and benefits) includes a new employee and extended hours to fully operate the Community Center.

Repairs, Maintenance, and Facilities

BWA understands that the District has recently conducted a minimal level of capital improvements and that the Community Center is in generally good condition. In the future, major maintenance issues will be conducted as capital outlays. BWA projected facility upkeep costs to remain relatively stable over the next five years assuming the existing building continues to remain in use.

Utilities

The utility expense reflects water, power, and garbage service to the Community Center. These expenses are expected to increase by 4% reflecting approved water rate increases and assumed inflationary increases for power and garbage service.

Training

BWA projects increases of 10% in training costs for the first two years of the cash flow projection. This increase reflects recruiting, training, and retention of volunteers under the expanded operating capacity of the Community Center. Volunteers are a less stable workforce with high turnover rates that can result in high training costs.

Cash Flow Projection

The Landscape and Lighting Zone #8 budget is shown in Table 1A and the projected revenues and expenses of the Community Center are summarized in Table 1B. BWA expects the Community Center to operate at a deficit of over \$199,000 per year which will be funded by the Landscape and Lighting Zone 8 tax assessments. At this level of unconstrained funding for the Community Center, the Zone 8 ending fund balance will become negative in FY2016/17.

Tables 2A and 2B show a constrained budget option with lower operating costs for the Community Center. Under the constrained option, the Community Center deficit is projected at over \$160,000 per year. As Table 2A shows, the constrained budget option can be absorbed by the net revenues of Zone 8.

Table 1A
Unconstrained 5-Year Zone 8 Cash Flow
Town of Discovery Bay Community Services District

| | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Estimated Starting Fund Balance | \$421,600 | \$283,600 | \$129,600 | (\$39,200) | (\$220,800) |
| Revenues | | | | | |
| Community Center Revenue | 48,000 | 51,400 | 53,100 | 54,800 | 56,600 |
| Zone 8 Revenue | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> |
| Total Revenues | 508,000 | 511,400 | 513,100 | 514,800 | 516,600 |
| Expenses | | | | | |
| Community Center O&M Budget | 247,400 | 254,800 | 259,000 | 260,800 | 262,700 |
| Zone 8 O&M Budget | <u>398,600</u> | <u>410,600</u> | <u>422,900</u> | <u>435,600</u> | <u>448,700</u> |
| Total Expenses | 646,000 | 665,400 | 681,900 | 696,400 | 711,400 |
| Estimated Ending Fund Balance | \$283,600 | \$129,600 | (\$39,200) | (\$220,800) | (\$415,600) |

Table 1B
Unconstrained 5-Year Community Center Cash Flow
Town of Discovery Bay Community Services District

| | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues | | | | | |
| Programming (classes) | \$31,400 | \$33,000 | \$34,700 | \$36,400 | \$38,200 |
| Facilities Rentals | 1,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Grounds Rentals | 1,500 | 2,000 | 2,000 | 2,000 | 2,000 |
| Goods Sold | 1,200 | 1,500 | 1,500 | 1,500 | 1,500 |
| Swimming Pool Fees | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Board of Directors Reimbursement | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Water and Sewer Reimbursement | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Utility Reimbursement | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> |
| Total Operating Revenues | 48,000 | 51,400 | 53,100 | 54,800 | 56,600 |
| Zone 8 Operating Fund | 61,400 | 49,400 | 37,100 | 24,400 | 11,300 |
| Zone 8 Reserves | 138,000 | 154,000 | 168,800 | 181,600 | 194,800 |
| Operating Expenses | | | | | |
| Full Time Staff Salaries | 99,300 | 102,300 | 102,300 | 102,300 | 102,300 |
| Part Time Staff Salaries | 27,700 | 28,500 | 28,500 | 28,500 | 28,500 |
| Benefits | 15,000 | 15,500 | 15,500 | 15,500 | 15,500 |
| Professional Services | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 |
| Repairs and Maintenance | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Facilities Expense | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Utilities | 32,500 | 33,800 | 35,500 | 37,300 | 39,200 |
| Swimming Pool Chemicals | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Training, communication, advertising | 17,700 | 19,500 | 22,000 | 22,000 | 22,000 |
| Intergovernmental Charges (Tax) | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Other and misc. | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> |
| Total Operating Expenses | 247,400 | 254,800 | 259,000 | 260,800 | 262,700 |
| Surplus or Deficit | \$0 | \$0 | \$0 | \$0 | \$0 |

Table 2A
Constrained 5-Year Zone 8 Cash Flow
Town of Discovery Bay Community Services District

| | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Estimated Starting Fund Balance | \$421,600 | \$475,200 | \$518,600 | \$551,900 | \$577,300 |
| Revenues | | | | | |
| Community Center Revenue | 48,000 | 51,400 | 53,100 | 54,800 | 56,600 |
| Zone 8 Revenue | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> | <u>460,000</u> |
| Total Revenues | 508,000 | 511,400 | 513,100 | 514,800 | 516,600 |
| Expenses | | | | | |
| Community Center O&M Budget | 208,800 | 215,000 | 219,200 | 221,000 | 222,900 |
| Zone 8 O&M Budget | <u>245,600</u> | <u>253,000</u> | <u>260,600</u> | <u>268,400</u> | <u>276,500</u> |
| Total Expenses | 454,400 | 468,000 | 479,800 | 489,400 | 499,400 |
| Estimated Ending Fund Balance | \$475,200 | \$518,600 | \$551,900 | \$577,300 | \$594,500 |

Table 2B
Constrained 5-Year Community Center Cash Flow
Town of Discovery Bay Community Services District

| | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues | | | | | |
| Programming (classes) | \$31,400 | \$33,000 | \$34,700 | \$36,400 | \$38,200 |
| Facilities Rentals | 1,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Grounds Rentals | 1,500 | 2,000 | 2,000 | 2,000 | 2,000 |
| Goods Sold | 1,200 | 1,500 | 1,500 | 1,500 | 1,500 |
| Swimming Pool Fees | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Board of Directors Reimbursement | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Water and Sewer Reimbursement | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Utility Reimbursement | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> |
| Total Operating Revenues | 48,000 | 51,400 | 53,100 | 54,800 | 56,600 |
| Zone 8 Operating Fund | 160,800 | 163,600 | 166,100 | 166,200 | 166,300 |
| Zone 8 Reserves | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses | | | | | |
| Full Time Staff Salaries | 65,700 | 67,700 | 67,700 | 67,700 | 67,700 |
| Part Time Staff Salaries | 27,700 | 28,500 | 28,500 | 28,500 | 28,500 |
| Benefits | 10,000 | 10,300 | 10,300 | 10,300 | 10,300 |
| Professional Services | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 |
| Repairs and Maintenance | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Facilities Expense | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Utilities | 32,500 | 33,800 | 35,500 | 37,300 | 39,200 |
| Swimming Pool Chemicals | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Training, communication, advertising | 17,700 | 19,500 | 22,000 | 22,000 | 22,000 |
| Intergovernmental Charges (Tax) | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Other and misc. | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> | <u>11,000</u> |
| Total Operating Expenses | 208,800 | 215,000 | 219,200 | 221,000 | 222,900 |
| Surplus or Deficit | \$0 | \$0 | \$0 | \$0 | \$0 |